

## Message Text

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PAGE 01 KUWAIT 02144 290813Z

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ACTION NEA-09

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----- 068695  
R 290555Z MAY 74  
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TO SECSTATE WASHDC 9729

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STADIS////////////////////////////////

FOR DAVIS NEA/EX AND NEA/ARP

E.O. 11652: N/A  
TAGS: AFSP, KU  
SUBJECT: KUWAIT STAFFING: ECON/POL/MILITARY SALES POSITION

REF: A) STATE 105308 B) KUWAIT 1916

1. WE URGE BUREAU RECONSIDER WITHDRAWAL REO POSITION AS INDICATED REF A AND AUTHORIZE ITS CONVERSION INTO ECON/POL/MILITARY SALES POSITION FOR KUWAIT. WE BELIEVE STRONGLY WE HAVE VALID REQUIREMENT FOR POSITION IN KUWAIT QUITE INDEPENDENTLY OF ANY REGIONAL RESPONSIBILITIES. ALTHOUGH WE ALSO THINK KUWAIT WILL CONTINUE TO HAVE SOME RESIDUAL REGIONAL ECONOMIC/COMMERCIAL RESPONSIBILITIES DUE TO NATURE KUWAIT'S ROLE IN GULF ECONOMIC AFFAIRS AND COMMERCE.

2. AS DEPT AWARE, COMMERCE, TREASURY, FEO AND OTHERS HAVE BEEN EXPLICIT IN INSISTING ON INCREASINGLY DETAILED AND SOPHISTICATED ECONOMIC AND COMMERCIAL REPORTING. THROUGH ECONOMIC ALERT LIST AND LESS SUBTLELY THROUGH COMMENTS OF VISITORS, MESSAGE IS CLEAR: PRODUCE OR ELSE WE SHALL ASSIGN OUR OWN PEOPLE. SIMPLE FACT IS THAT FOLLOWING EVENTS OF PAST YEAR AND A HALF (OCTOBER WAR, OIL EMBARGO, PRICE INCREASES, DOLLAR DEVALUATION, ETC.) ATTENTION OF ECONOMIC AGENCIES OF USG AS WELL AS OF AMERICAN BUSINESS AND FINANCIAL COMMUNITY HAVE RIVETED ON KUWAIT AS WELL AS ON REST OF GULF. SITUATION HAS CHANGED CONSIDERABLY SINCE  
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PAGE 02 KUWAIT 02144 290813Z

MID-1972 WHEN REO POSITION ESTABLISHED. MOREOVER, KUWAIT ITSELF

HAS BECOME MORE COMPLEX. SINCE MID-1972, BANKING, INVESTMENT AND FINANCIAL COMMUNITY HAS GROWN RAPIDLY IN SIZE AND IMPORTANCE AND KUWAIT-BASED DEVELOPMENT AID INSTITUTIONS HAVE EXPANDED DRAMATICALLY. WITH INCREASING INDUSTRIALIZATION, POTENTIAL FOR US EXPORTS HAS INCREASED. OIL SITUATION IS CONSIDERABLY MORE COMPLEX NOW THAT GOK WILL BE MAJORITY OWNER OF KOC AND IS LIKELY SET-UP NEW OIL-RELATED COMPANIES AND INSTITUTIONS. ORGANIZATIONS SUCH AS OAPEC AND AMPTC ALSO DEMAND MORE ATTENTION. IN SHORT, AS AMERICAN OFFICIAL AND PRIVATE INTEREST HAS SOARED, LOCAL ECONOMY HAS BECOME NOTICEABLY MORE COMPLEX WITH RESULT THAT WE WOULD BE REQUESTING NEW ECON/COMML POSITION EVEN IF REO POSITION DID NOT EXIST. INCREASED REPORTING, BRIEFING (VISITING OFFICIALS AND BUSINESSMEN) AND REPRESENTATIONAL RESPONSIBILITIES REQUIRE IT.

3. IN ADDITION, KUWAIT'S INCREASING WEALTH AND ACTIVITY IN ARAB WORLD AND ELSEWHERE HAS INCREASED ITS SIGNIFICANCE TO US POLITICALLY. LOCAL LABOR AND LEGISLATIVE DEVELOPMENTS REQUIRE MORE ATTENTION THAN THEY BEEN GIVEN AND NEW POLITICAL DEVELOPMENTS ARE ALREADY UNDERWAY FOR ELECTIONS EARLY IN 1975. WE HAVE MODIFIED ECON/COMML SECTION SO THAT IT ALSO HAS POLITICAL RESPONSIBILITIES AND WE HAD HOPED THAT WITH ADDITIONAL POSITION SECTION COULD ASSIST AMBASSADOR AND DCM IN POLITICAL WORK.

4. ANOTHER IMPORTANT FUNCTION ENVISAGED FOR CONVERTED REO POSITION CONCERNS MILITARY SALES PROGRAM WHICH IS STEADILY INCREASING. WITH INCREASED ECON/COMMERCIAL WORKLOAD ON ONE HAND, AND ASSIGNMENT US MILITARY SALES OFFICERS ON OTHER, WE HAVE NO ONE ON EMBASSY SIDE TO FOLLOW MILITARY SALES ON DAY-TO-DAY BASIS, PURSUE MILITARY SALES IN COMMERCIAL CONTEXT, RECEIVE COMMERCIAL MILITARY REPS, ARRANGE MILITARY VIP VISITS, AND PERFORM OTHER NORMAL POL-MIL WORK, EVEN ON PART-TIME BASIS. AMBASSADOR OF COURSE INVOLVED AT HIGH LEVEL, BUT ROUTINE COORDINATION LACKING. RESULT IS IMPORTANT GAP WE UNABLE FILL WITH REDUCED STAFFING.

5. IN REVIEWING ABOVE WE CONCERNED WE MAY HAVE FAILED CONVEY FULLY SITUATION IN KUWAIT. PERHAPS IT WOULD BE MORE INSTRUCTIVE TO NOTE THAT TWO ECON/COMML OFFICERS HERE NOW HAVE CONSISTENTLY WORKED 60-80 HOURS PER WEEK, SIX TO SEVEN DAYS A WEEK FOR MUCH LIMITED OFFICIAL USE

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PAGE 03 KUWAIT 02144 290813Z

OF THE PAST YEAR. EMBASSY HAS HAD TO FIELD THREE TRADE MISSIONS IN FIVE-MONTH PERIOD THIS YEAR AND ESSENTIALLY SAME THING HAPPENED LAST YEAR. BOTH OFFICERS INUNDATED WITH SCHEDULED AND NON-SCHEDULED VISITING OR INQUIRING BUSINESSMEN. CODEL, VIP AND SPECIAL VISITS HAVE MUSHROOMED COMPARED TO 1972. MEANWHILE ECONOMY HERE BOOMING AND EMBOFFS MUST GET OUT INTO LOCAL COMMUNITY TO LEARN ABOUT UNPUBLICIZED PRIVATE SECTOR TRADE OPPORTUNITIES. AT SAME TIME, AS NOTED ABOVE, PRESSING

NEED EXISTS FOR HIGHER LEVEL OF PETROLEUM AND FINANCIAL  
REPORTING FROM KUWAIT.

6. IN VIEW IMPORTANCE THIS POSITION TO OUR CONTINUING OPERATIONS  
WE INCLUDING IT IN OUR FY 75 BUDGET. BECAUSE POSITION WOULD DEAL  
LARGELY WITH CLASSIFIED AND SENSITIVE MATTERS IT CANNOT BE  
FILLED BY FSL.

7. AMBASSADOR CONCURRED SUBSTANCE THIS MESSAGE PRIOR TO DEPARTURE  
FROM POST.  
MCCLELLAND

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